

UK Pensions Transfers – Australian QROPS

A recent amendment to UK Pension legislation has seen a potential raft of issues for recent and future UK Pension Transfers to Australia.

The UK's latest QROPS list now known as the ROPS list released 1 July 2015 effectively has no Australian Superannuation Funds listed (other than 1 local government fund only available for QLD local government workers).

Essentially this means HMRC are not recognising Australia as a QROPS jurisdiction from the date the amendment was made being 6 April 2015.

HMRC did send out letters to Australian QROPS Super Funds effectively informing them of this change but not until the 17 April and of course these letters were then not received until around the beginning to middle of May.

For most Super Funds this would have been the first of them knowing about this. Some Super Funds took action and went about amending their Trust Deeds so as to align with the new UK requirements thinking that this would be sufficient to maintain QROPS status.

Other Super Funds lobbied the Association of Australian Superannuation Funds to see if the UK would grant an exemption to Australia.

Due to the list published showing effectively no Super Funds as QROPS neither of these methods seems to have been successful.

What are the potential issues?

UK Pension Transfers should only be made to Superannuation Funds in Australia that have QROPS status otherwise it is known as an unauthorised payment and a tax charge of up to 55% could apply.

What does this mean for people who have transferred to a QROPS pre 6 April 2015?

If a pension transfer has been completed prior to 6 April 2015 then HMRC have confirmed no tax charge will apply even though the Super Fund effectively is no longer a QROPS.

What does this mean for people who have transferred to a Super Fund post 6 April 2015?

Unless it is the Local Government Superannuation Scheme then effectively the monies would have been transferred to a non QROPS fund and therefore would constitute an unauthorised payment.

However there does seem to be suggestion by HMRC that relief would be given from the tax charge for people in this situation up until either 17 April (when letters were generated) or 17 June (the date Super Funds had to respond to HMRC's letter), which is a similar case for many New Zealand based schemes.

Although at this stage this does not seem to be confirmed.

What does this mean for Pension Transfers on route to and future Pension Transfers to Australia?

Other than if you are a member of the scheme mentioned above at this stage a pension transfer to Australia would be seen as an unauthorised payment and could be met with a 55% tax charge.

We are aware that many UK Pension Schemes who had received pension transfer instructions like the NHS have put a hold on these payments so as to protect the member not being transferred to a non-QROPS.

Therefore at this stage of course a UK Pension Transfer to Australia is not something that should be considered until and if Australia and HMRC can iron out these issues.

We are aware that many Australian professional bodies and legal teams are continuing discussions with HMRC and are hopeful that this can be resolved for at least some schemes at the very least.

Australia is the number one destination for people emigrating from the UK and so we cannot believe that this will be permanent.

If it can be resolved quickly for some schemes then people who have instructed transfers would perhaps need to consider using an alternative Australian Super Fund (of course with QROPS status if achieved) for the transfer to continue if the UK provider allows a change of receiving scheme request.

Andrew Williams

Director - Vista Financial Services

Andrew@vistafs.com.au